



# CCBN Annual Top Banker Meeting Supervisory Perspectives

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*Note: The opinions expressed are those of the presenter, are intended only for informational purposes, and are not formal opinions of, nor binding on, the Federal Reserve Bank of San Francisco or the Federal Reserve Board of Governors.*

# 12th District – Highlights

## Q2 Banking Trends (CBO):

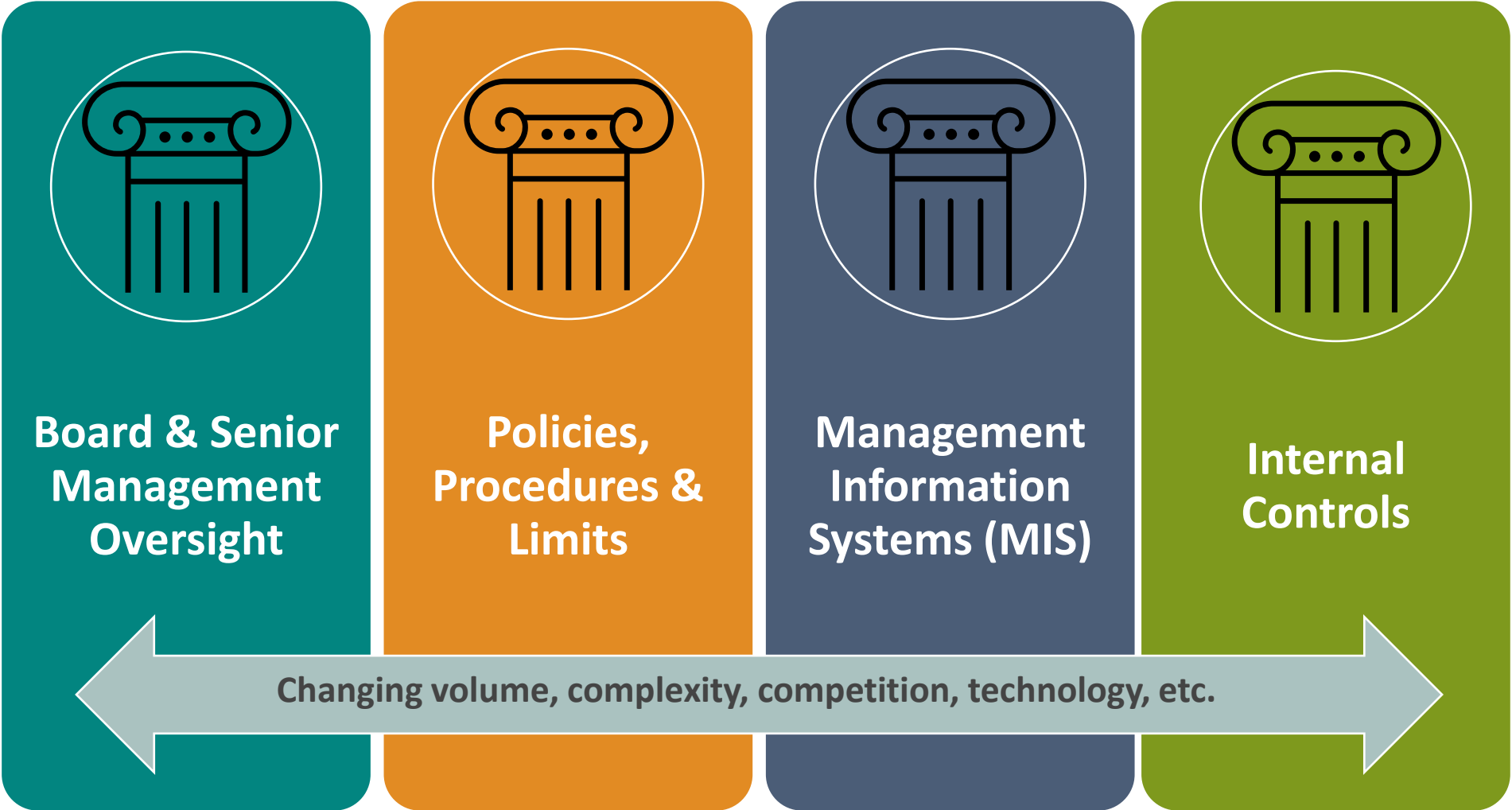
- + Profitability improved for most, supported by decreases in non-interest expense
- + Net interest margin (NIM) exhibited modest compression
- + Asset and loan growth show modest gains, marginally outpacing deposit growth
- + Generally, asset quality remained satisfactory
- + Regulatory capital demonstrated mixed trends

## Commercial Real Estate Environment:

- † Office fundamentals are weak in central business districts and are showing some deterioration in suburbs
- † Longstanding absence of overbuilding across key markets lessens supply risk in retail market
- † District multifamily fundamentals generally compares favorably to national measures, especially in California
- † District banks tend to hold loan portfolios that are more concentrated in CRE



# Evolving Business Environment



## Inherent Risk

- Products
- Services
- Activities



## Risk Management

- Board and Management Oversight
- Policies and Procedures
- Management Information Systems
- Internal Controls



## Residual Risk

- Appropriate to Board risk appetite?
- Actions necessary to further mitigate risk?

# Risk Management - Observations

- **Credit Risk**
- **Market & Liquidity Risk**
- **Independent Risk Management and Control**
- **Information Technology/Operational**
- **BSA/AML Compliance**

# Guidance and Resources



## Risk Management Supervision & Regulation (SR)/Consumer Affairs(CA) Letters:

- [Supervisory Guidance on Board of Directors' Effectiveness \(SR 21-3/CA 21-1\)](#)
- [Management at Supervised Institutions with Total Consolidated Assets < \\$100 B \(SR 16-11\)](#)
- [Supplemental Policy Statement on the Internal Audit Function and its Outsourcing \(SR 13-1/CA 13-1\)](#)
- [Consolidated Supervision Framework for Large Financial Institutions \(SR 12-17/CA 12-14\)](#)
- [Guidance on Model Risk Management \(SR 11-7\)](#)
- [Interagency Policy Statement on Funding and Liquidity Risk Management \(SR 10-6\)](#)

## Other Risk Management Resources:

- [Risk is our Business: A Supervisory Perspective on the Dynamics of Risk and Risk Management \(Community Banking Connections\)](#)
- [Risk Management, Resiliency, and Relationships \(Community Banking Connections\)](#)
- [Compliance Risk Assessments \(Consumer Compliance Outlook\)](#)
- [Ask the Fed: Vice Chair for Supervision Meets with Regional State Member Bank Directors and Executives](#)